



# BUDGET 2017/2018 OF THULAMELA MUNICIPALITY 2013/14 TO 2019/20 MEDIUM TERM REVENUE & EXPENDITURE FORECASTS



## ***Thulamela Municipality Vision***

*We, the people of Thulamela would like our Municipality to Achieve a city status by 2030, to promote urban regeneration and comprehensive rural development whilst encouraging Local economic Development to improve the quality of lives of our People.*

## ***Thulamela Municipality Mission***

*We build prosperity, eradicate poverty and promote social, political and economic empowerment of all our people through delivery of quality services, community participation, local economic development and smart administration.*

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## **ABBREVIATIONS**

MFMA- Municipal Finance Management Act 56 of 2003  
MBRR- Municipal Budget and Reporting Regulations  
MTREF- Medium Term Revenue and Expenditure Framework  
EPWP – Expanded Public Works Programme  
FMG – Finance Management Grant  
INEP – Integrated National Electricity Program  
MIG –Municipal Infrastructure Grant  
MSIG – Municipal Systems Improvement Grant  
EEDG –Energy Efficiency and Demand Side Management Grant  
MDTG-Municipal Demarcation Transition Grant  
MSCOA –Municipal Standards Chart of Account

## **PART 1 – Annual Budget**

### **1.1 Mayor's Report**

#### **Presentation of the 2017/2018 Budget by the Mayor of Thulamela Municipality, His Worship, Cllr Tshifhango Avhashoni Stephen, during the Municipal Council Sitting.**

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Date: 31 May 2017

Venue: Community Hall

- HOURABLE SPEAKER
- HOURABLE CHIEF WHIP
- MUNICIPAL MANAGER AND ALL SENIOR MANAGERS
- MEMBERS OF THE EXECUTIVE COMMITTEE
- FELLOW COUNCILLORS
- MAHOSI ASHU OTHE A RE FHANO
- LEADERS AND REPRESENTATIVES OF RELIGIOUS, BUSINESS AND ALL SECTORS
- PRINCIPALS OF THE SCHOOLS PRESENT HERE
- ALL MUNICIPAL OFFICIALS
- WARD COMMITTEE MEMBERS
- COMMUNITY DEVELOPMENT WORKERS
- CIVIC ORGANISATION
- ALL LEARNERS PRESENT HERE
- MEDIA HOUSE
- AND DISTINGUISHED GUESTS

Ladies and gentlemen Ndi matsheloni, Good morning, Avuxeni, Dumelang.

**Honorable speaker**

It is truly an honour and privilege for me to be standing in front of you presenting the budget for 2017/2018 financial year. Allow me to thank Thulamela Municipality community from all 41 wards, for having bestowed us with the honour of leading them for the coming five years. It is a five years journey which will go down in history as elementary towards advancing service provision to our people.

Indeed, this budget today is the pinnacle of everything that we want as a council to have achieved by the end 2017/2018 financial year.

This budget comes at a time when our municipality is facing criminal cases such as ritual murder, missing person, women and children abuse. Every day we are bombarded with news casts that paints a very bleak picture which can stay with us for the next couple of years.

**Honorable speaker**

Allow me to send my heartfelt condolences to the families who lost their beloved ones, just to mention a few, Negota family, Dzivhani family (mother of our senior manager for housing and electricity, deputy secretary Cde Munzhelele together with Mulidzwi Maanda who was found dead early yesterday at Khubvi village, it was found that the victim is from ward 14 at Tshidimbini village.

After hearing such sad news, we took a step and we matched in partnership with pastors to fight against ritual murder, women abuse and crime.

We walked around town creating awareness emphasizing that enough is enough we want peace. Flyers were handed out around bus rank as we create awareness on where to report such crimes. When residents strikes and closes businesses, it affects the economy in a very negative way. We condemn the closer of businesses but encourage peaceful matches. I also encourage

residents to work hand in hand with the police and the justice department.

In 2010 when President Nelson Mandela was in parliament he reminded us of what we have achieved in our struggle for freedom and in our democratic journey. He again reminded us that South Africans are capable of extraordinary things he further says that we are strong enough, resilient enough and creative enough to manage and overcome our economic challenges. Never have these sentiments been truer than right now. This simply means that we have an obligation to concentrate on major things rather than killing each other.

Twenty seven years ago, we showed the world that we could unite around a common cause, a democratic, non-racial, non-sexist South Africa. We showed ourselves and the world that we could compete politically and yet find a shared understanding on matters of concern to all of us, in building a better South Africa for our children and grandchildren.

Now we must again use this remarkable national capability to energetically and urgently address the problems of jobs, growth and poverty. As Nelson Mandela pointed out I quote “none of us can rest or sleep peacefully until every South African can say I can see a better future, I can find a job, I can learn a skill, hard work will enable me my family to have shelter and food, if my children work hard at school and college, they will have a better future and a thousand opportunities” close quote.

Our people need hope. Our people want municipality to lead and the municipality shall lead. Our people want service, business, labor and social organisations to work together to create a better economic future. Our people want to be positively energized so that they can take the initiative to improve their own lives and communities.

Thulamela Municipality must do things differently. We cannot do the same old things and expect different results.



**Honorable speaker**

Allow me to take this opportunity to hail and salute the multitude of Thulamela loyalists who persisted in our quest for a free, fair and democratic dispensation. We salute the people like Gogo Sarah Munyai, well known potter who passed away this month. She was a pioneer in the development and educating of potters in the area and a role model to many.

The MEC for health Dr Phophi Ramathuba also expressed sadness and said that, I quote “although the government accepted what happened, it would be difficult to forget that death had robbed the country of a fine artist who was full of zeal, courage and enthusiasm” Indeed we have lost a great instrument that was shaping our municipality.

**Honorable Speaker,** I would be remiss if I did not reflect back on the journey and the achievements of our very own Ms Pfarelo Ramugondo who was awarded the order of Baobab bronze medal by President Jacob Zuma. Ms Ramugondo started a project to clean local rivers and streams after they were turned into dumping areas. She also received three awards before from national, provincial and local level. How can we not be proud of such.

**Fellow citizens** the budget presented today have undergone stringent cost cutting measures to ensure that we only focus on those items that would ensure that we provide the best services to our community. Departments have been instructed to ensure that every effort is made to cut down costs that are not entirely crucial for the completion of projects. Day-to-day operational costs have been narrowed down to the bare essentials and towards our vision. Thulamela municipality has dedicated engineering technicians to assist infrastructure projects with the identification of IDP projects, provide technical support, projects under construction, support the procurement of service providers and assist with relevant sector plans.

One of our project in the year 2015/2016 was to construction of Maungani access road. The contractors constructed the road from foundation phase to its last phase, and today as I speak, Maungani

access road project is completed and we will be launching it very soon. In 2015/2016 financial year an amount of **R804 million** was allocated for IDP projects. This will enable us to construct roads like Tshififi Dzingahe access road which has been allocated **R55 million** and also Lambani Bridge which has been allocated **R1 million** these are some of our projects amongst others in our IDP. Although we are very proud and excited about these projects, however these are not the only achievements we celebrate today. How can we forget our very own Cllr Netshisaulu T, who graduated in Bachelor of education and further training as well as Cllr Rasendedza Azwitamisi Meltah who graduated in BSC Honours in Univen. Indeed these shows that learning is endless.

Honorable Speaker, we have the mayoral bursary fund, an initiative that started in year 2013 gained momentum in 2016/17 when the amount budgeted was increased from **R1 000 000.00** to **R1 700 000** To date we have assisted **20 students** to study in various institutions of higher learning.

In light of the afore-mentioned, I think we need to acknowledge the municipality of such initiatives.

In terms of supporting entrepreneurship, we developed a policy and allocated funds to support sustainable SMME development in municipality. The main objective of the SMME Development and Support Policy is to provide a framework for SMME development in the municipality through an integrated system of business support facilities.

The local economic development strategy is also based on the identified developmental needs, opportunities, and comparative advantages to inform and guide Thulamela Municipality to facilitate development. Some of our SMME's which are located in our information Centre.

**Honorable Speaker**, with your permission, I would like to take you through a summary presentation of how we propose to invest the funds that have been entrusted to us in the year 2017/2018.

The total budget for the 2017/2018 financial year is **R883 million** which **R105 million** is cash from the bank. The operational budget is **R631 million** of which **R20 million** goes towards repairs and maintenance, **R252 million** for capital projects. A portion of the budget is also allocated to the roads Infrastructure Services Departments. Allocations to these departments amounts to **R160 million** and is directly linked towards the improvement of the quality of life of communities in the municipality.

**Ladies and Gentlemen** the budget I present to you today is a summary of the State of the Municipal Address (SOMA). The SOMA will present the 2017/2018 budget in detail as we flag all our main projects and budget allocations. The SOMA will take place on the 09<sup>th</sup> June 2017 at Thulamela community hall.

In closing I want to share with you the following quote from our beloved late Tata Mandela and I quote: “A fundamental concern for others in our individual and community lives would go a long way in making the world the better place we so passionately dreamt of”. Close quote. Tata Mandela believed that one can only achieve success if you are dedicated to and passionate about what you do. Thulamela Municipality, we have lived up to this motto and I know that when we leave these administration, under the leadership of the municipal manager and the executive management, we will continue to build on this proud legacy.

**Honorable speaker,** I want to sincerely thank all Councilors, the Municipal Manager, the Heads of Departments, managers, officials, stakeholders and members of the public who gave input to this process. We can only achieve great things if we work together and I believe that this was a team effort. The credit is shared by all who played a part in tabling this final product today. On behalf of Council I want to thank each and every one for their hard work and dedication.

I thank you

## **1.2 Resolutions**

### **Thulamela tariffs, Annual Budget and Budget related Policies for 2017/2018-2019/2020 Financial Year**

#### **Council resolved:**

- **To approve the tariffs and Annual Budget for 2017/2018-2019/2020 Financial Year.**
- **The following Budget related Policies:**
  - a) **Property rates policy**
  - b) **Budget policy**
  - c) **Virement policy**
  - d) **Indigent policy**
  - e) **Credit control and Debt collection policy**
  - f) **Band and Investment policy**
  - g) **Fixed Assets policy**
  - h) **Inventory policy**
  - i) **Supply Chain Management policy (goods and services)**
  - j) **Standard for Infrastructure procurement and development management policy**
  - k) **Cost containment strategy**
  - l) **Expenditure procedure manual**
  - m) **Revenue enhancement strategy**

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**CHAIRPERSON**  
**31 MAY 2017**

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

We remember that in South Africa, we stabilised our economy after the 2008 crises. We have achieved a recovery in growth and jobs. Yet we need to do more, together with labour, business and all stakeholders, to lead our economy in a new, bold direction for higher growth, decent work and greater equality. This statement is the intension of the whole nation which as local government sphere we must ensure that our plans address the vision of the whole nation.

The Annual budget for 2017/2018 was compiled in accordance with the requirements of the Municipal Finance Management Act (Act 56 of 2003) as well as the Municipal Budget and Reporting Regulations and all Circulars including 71, 72 and 86, which gives a clear directive on the prescribed reporting framework and structure to be used.

The main challenges experienced during the compilation of the 2017/2018 Budget and MTREF can be summarized as follows:

- On-going difficulties in the national and local economy.
- Wage increases for municipal staffs that continue to exceed consumer inflation, as well as need to fill critical positions.
- The municipal grant dependency.

The following budget principles and guidelines informed the compilation of the 2017/2018 Budget and Medium Term Revenue and Expenditure Framework:

- The adjustment Budget for 2016/17 Budget year;
- Strategic objectives that were formulated during the strategic planning session of the municipality;

- Budget allocated by national and provincial funding through the Division of Revenue Act;

The Annual budget has been prepared in a period of transition as a result of redetermination of municipal boundaries where part of Mutale Municipality had to be considered on the budget since the municipality will be no more after the election, and they were no allocation for 2017/2018 financial year to Mutale Municipality in terms of DORA.

On the other hand, part of Thulamela Municipality will form part of the new municipality and National Treasury has put aside allocations to fund the operations and projects of the new municipality. Projected expenditure for the period 1<sup>st</sup> July to 3<sup>rd</sup> August 2016 has been included in this budget for the areas that will fall within the new entity.

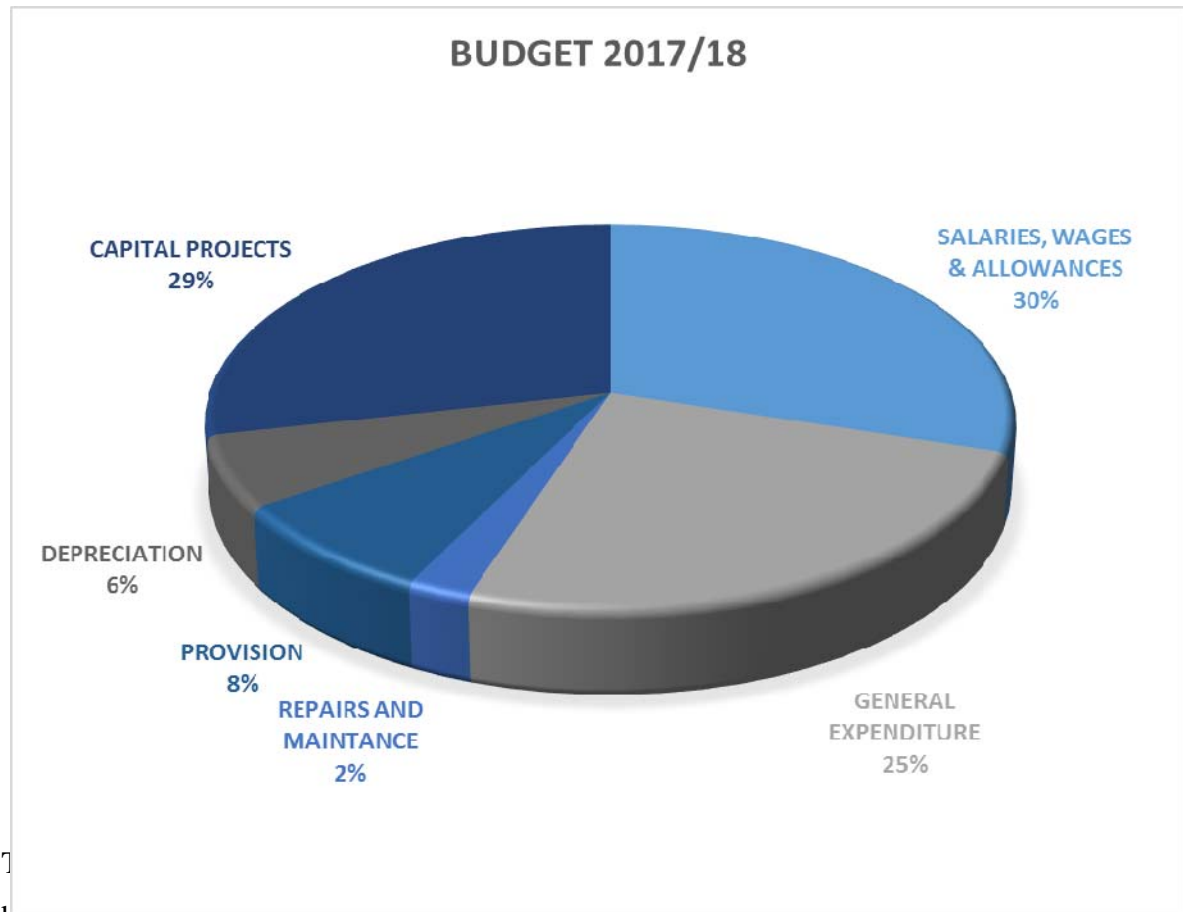
The application of sound financial management principles for the compilation of the municipal's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The service delivery priorities of the municipality were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high-priority programs so as to maintain sound financial management.

Despite the limited resources, Thulamela municipality is still and will always stay committed towards a better life for all. We will continue to prioritize community needs as people comes first in whatever we do.

**The following is a summary of Annual budget for 2017/2018.**

## ANNUAL BUDGET 2017/2018



backlog of service delivery.

The municipality is determined to continue to give hope to the hopeless and light to those in darkness. General expenditure of 25% includes R40 Millions of electrification projects and re-gravelling of streets amounting R5 million.

The salaries and wages for 2016/2017 financial year was R249 million and it has increased to R 266 million for 2017/2018 financial year. Salaries and wages has increased mainly as a results of annual increase as per Circular 86 and the employees who join from Mutale Municipality on the other sides the employees who supposed to go to Lim 345 most of them are still in Thulamela payroll.

Repairs and maintenance is below 8% however the 3% as per SA8, will be able to deal with all items that needs to be repaired or maintained in 2017/2018 financial year. The municipality has also budgeted for master plan for electricity and housing of R1, 5

Million and R1 Million respectively this financial year this will also assist the municipality in reaching the 8% norm on budgeting repairs and maintenance next financial year. However our maintenance staff (in-house repairing and maintaining) has also been trained to attend major repairs and maintenance which reduced the % of repairs and maintenance

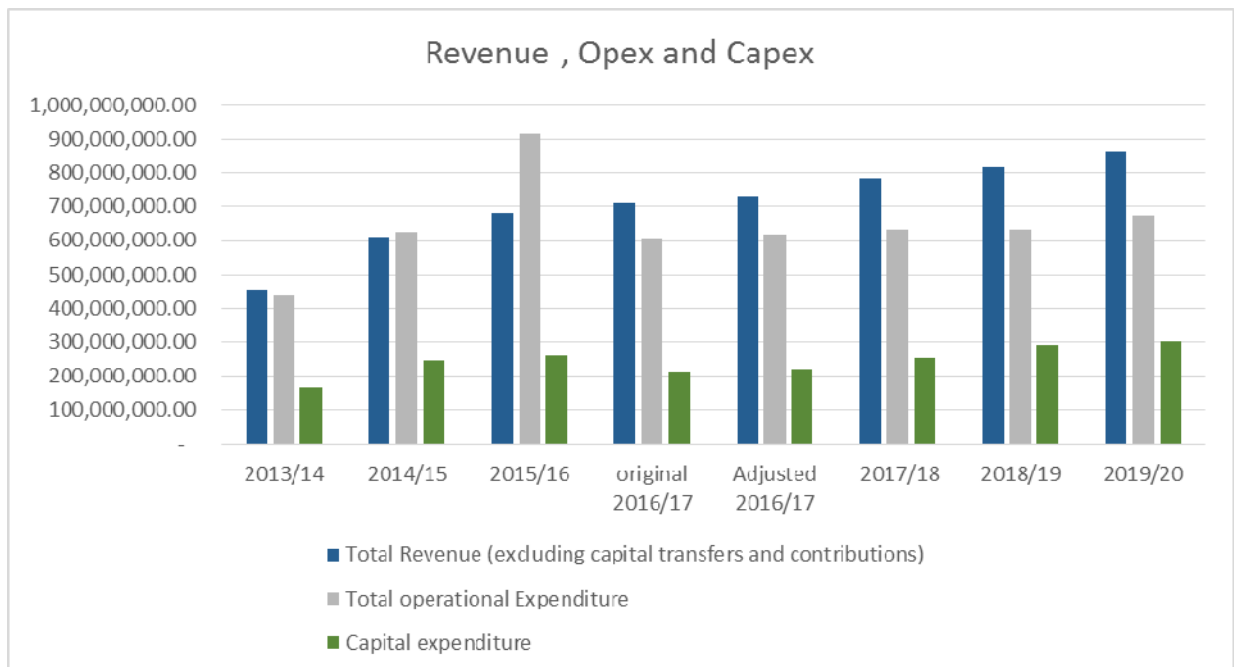
The Municipality has new asset which does not need to be repaired and maintenance

Provision for doubtful debts is 8% of the total budget due to non-payment of debts. Contribution to provision for doubtful debts has been based on the current collection trend.

Depreciation is 6% of the total budget, and this has been done in line with GRAP standard and we also considered the actual amount as our basis.

The depreciation decreased by 25% between 2016/2017 adjusted budget and 2017/2018 financial year because we budgeted based on the actual

The following graph provides an analysis of Revenue, operational expenditure and capital expenditure over the MTREF.



Revenue has been growing since 2012/2013 up to 2019/2020, this is mainly as a result of Operational Grants (such as equitable share) increasing every year. However in 2016/2017 revenue had gone down due to decrease in grant allocation.



Total expenditure has been increasing since 2013/2014 up to 2016/2017, however it will go down in 2016/2017 again due to decrease in revenue. The grants allocation has decreased by about R180 million. The municipality has developed a cost containment strategy in line with MFMA circular 82, so that delivery of service is provided with the little resources available. The municipality has also developed a revenue enhancement strategy, which will also be an annexure to the budget.

The same trend is on Capital expenditure, it has been increasing since 2013/2014 to 2016/2017, assuming that the collection rate will increased.

The following were the challenges experienced during the compilation of the 2017/2018 MTREF

- The ongoing difficulties in the national and local economy
- The need to reprioritize projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Current demarcation arrangement including the employees from Mutale and employees to Lim 345
- Non-payment of municipal services account.
- Budget Mscoa implementation.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 Budget

- Zero rated budgeting was used on capital budget
- Tariff and property rate increases is affordable and does generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality
- Tariffs remain or move towards being cost reflective, and take into account the need to address infrastructure backlogs

- the grants shown on the budget are reflected in the national and provincial budget and have been gazette on the annual Division of Revenue Act
- Mscoa Alignment ( Schedule A1)

**The following table is a consolidated overview of the approved budget.**

			2017/18 Medium Term Revenue & Expenditure Framework		
Description	2016/17	2016/17	2017/18	2018/19	2019/20
	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/	Budget Year +2 2019/20
Total Revenue (excluding capital transfers and cont	711,562,445	727,676,484	782,779,722	817,997,466	861,770,691
Total operational Expenditure	608,453,448	618,276,552	631,888,721	632,791,466	672,342,931
Surplus/(Deficit)	103,108,997	109,399,932	150,891,000	185,206,000	189,427,760
Transfers and subsidies - capital (monetary allocati	110,661,000	109,602,252	101,159,000	107,119,000	113,410,000
Share of surplus/ (deficit) of associate	-	-	-	-	-
Surplus/(Deficit) for the year	213,769,997	219,002,184	252,050,000	292,325,000	302,837,760

The projected revenue including capital grants for 2017/2018 financial year is R 883 Million while the previous year was R 837 million. Revenue has increased by R46 Million due to the following reason:

- The Equitable share was provided for R 337 million in 2016/2017 financial year while in 2017/2018 financial year is budgeted for R 362 million. There is a increase of R 25 million from previous financial year.
- Assuming that we can get an amount of R45 million from cash on bank from former Mutale.
- Tariff rate has increased by 6,1%.

Total expenditure has increased from R618 Million in 2016/2017 to R632 Million as results of increase of allocation of Grants.

Transfer recognized on capital projects has increased as results of Municipal Infrastructure Grant which was budgeted for R109 million in 2016/2017 financial year while in 2017/2018 financial year is R 101 million. There is an increase of R 8 million.

The following table is a consolidated overview of the approved 2017/2018 Capital expenditure.

Vote Description	2015/16	2016/2017	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Adjusted Budget	Budget Year 2017	Budget Year +1 2018	Budget Year +2 2019
Transfers recognised - capital	252,799,866	109,602,252	101,159,000	107,119,000	113,410,000
Internally generated funds	9,459,101	109,399,932	150,891,000	185,206,000	189,427,760
<b>Total Capital Funding</b>	<b>262,258,967</b>	<b>219,002,184</b>	<b>252,050,000</b>	<b>292,325,000</b>	<b>302,837,760</b>

The capital budget was budgeted for R219 million in 2016/2017 financial year while is budgeted for R 252 million in 2017/2018 financial year. There is an increase of R33 Million since the grants funding has increased by about R41million. Capital Budget for 2017/2018 financial year is 29 % of total budget.

#### **1.4 Annual Budget Tables**

See attached copy of Medium Term Revenue and Expenditure (MTREF) which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/2018 Budget.

#### **Table A1 –Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs. Financial management reforms emphasize the importance of the municipal budget being funded.
3. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - (A) The operating surplus/deficit (after Total Expenditure) is positive over the final budget
  - (B) Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognized are reflected on the Financial Performance Budget
    - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years (cash-backed surplus amounting R105 million). The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing/surplus reconciliation shows In essence the cash backing surplus table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
5. From the table it can be seen that for the period 2013/14 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses.
6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor
7. Property rates increases from

**Table A2 –Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The Total Revenue on this table includes capital revenues (Transfers recognized – capital)
2. Table 2 shows the surplus of R252 million which will be funded Capital project for 2017/18 financial periods, this prove that the municipality follows section 18 of the MFMA. The municipality shows a surplus for all years.
3. The amount of R105 million will be funded Capital project by cash from the bank.

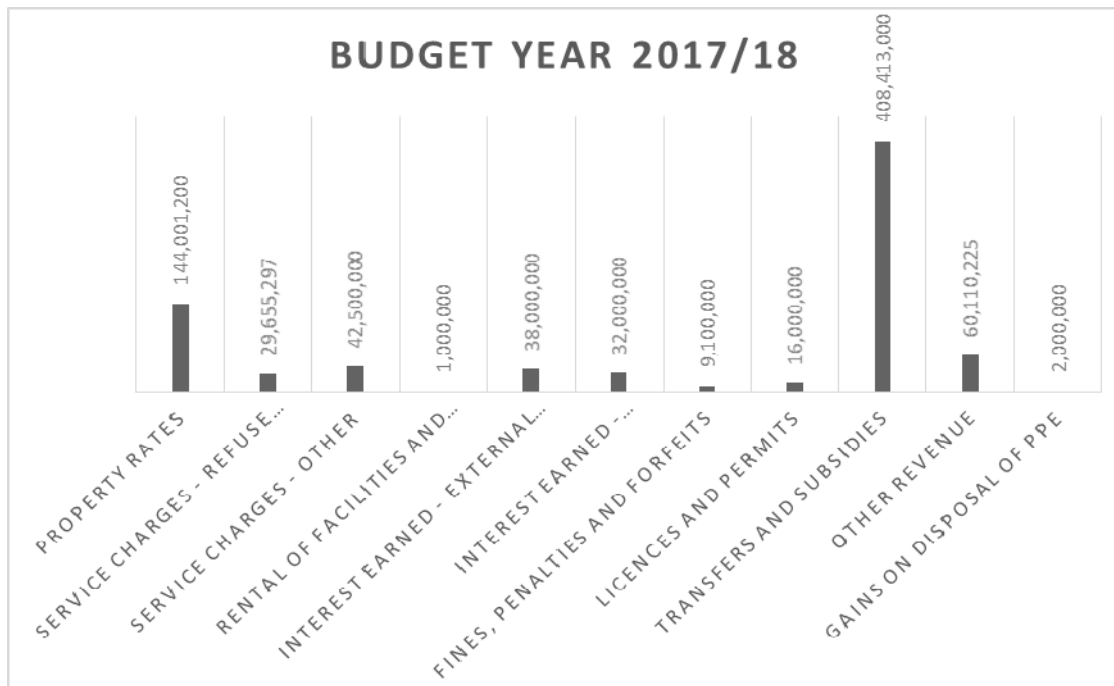
Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)										
Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		335,822	380,405	591,814	590,459	613,024	613,024	699,716	726,636	762,281
Executive and council		291,742	338,679	493,056	400,966	415,288	415,288	364,080	388,695	407,408
Finance and administration		44,080	41,726	98,758	189,493	197,736	197,736	335,636	337,941	354,873
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		25,280	35,102	25,589	31,700	38,689	38,689	57,000	55,862	62,072
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		426	839	709	700	900	900	1,000	1,059	1,120
Public safety		19,171	21,977	20,356	23,000	25,659	25,659	16,000	19,803	20,951
Housing		5,683	12,286	4,524	8,000	12,130	12,130	40,000	35,000	40,000
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		194,457	322,744	134,980	141,420	122,362	122,362	121,223	132,619	140,368
Planning and development		46,671	146,543	7,594	27,773	9,773	9,773	8,511	11,472	12,117
Road transport		147,786	176,200	127,386	113,647	112,588	112,588	112,712	121,147	128,252
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		43,599	47,985	51,797	58,644	63,204	63,204	6,000	10,000	10,580
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		43,599	47,985	51,797	58,644	63,204	63,204	6,000	10,000	10,580
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	599,157	786,236	804,181	822,223	837,279	837,279	883,939	925,116	975,301
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		195,425	359,943	240,496	270,443	276,054	276,054	281,651	283,377	299,813
Executive and council		127,207	228,923	151,388	168,656	165,137	165,137	144,003	152,499	161,344
Finance and administration		68,218	131,020	89,109	101,787	110,917	110,917	131,208	124,058	131,254
Internal audit		-	-	-	-	-	-	6,440	6,820	7,215
<i>Community and public safety</i>		95,692	104,824	124,416	163,163	160,371	160,371	161,525	160,346	172,617
Community and social services		-	-	-	-	-	-	20,217	20,864	22,596
Sport and recreation		30,425	24,393	18,227	28,930	24,787	24,787	5,036	5,774	5,586
Public safety		28,066	46,588	47,193	49,189	49,573	49,573	56,058	59,365	62,808
Housing		37,201	33,844	58,995	85,044	86,011	86,011	80,214	74,344	81,626
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		107,840	118,395	505,678	125,787	131,970	131,970	133,212	131,940	139,472
Planning and development		20,554	17,822	21,246	21,122	22,191	22,191	37,977	34,169	36,031
Road transport		87,286	100,573	484,432	104,665	109,779	109,779	95,235	97,770	103,441
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		38,915	42,695	46,457	49,060	49,882	49,882	55,501	57,128	60,442
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		38,915	42,695	46,457	49,060	49,882	49,882	55,501	57,128	60,442
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	437,872	625,857	917,047	608,453	618,277	618,277	631,889	632,791	672,343
<b>Surplus/(Deficit) for the year</b>		161,285	160,378	(112,866)	213,770	219,002	219,002	252,050	292,325	302,958
<b>References</b>										
1. Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes										
2. Total Revenue by functional classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)										
3. Total Expenditure by Functional Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)										
4. All amounts must be classified under a functional classification. The GFS function 'Other' is only for Abbatoirs, Air Transport, Forestry, Licensing and Regulation, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification.										

**Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table A4 – Budgeted Financial Performance (revenue and Expenditure)**

Total operating revenue is R783 million in 2017/2018 which is an increase from R727 million of 2016/2017 financial year.



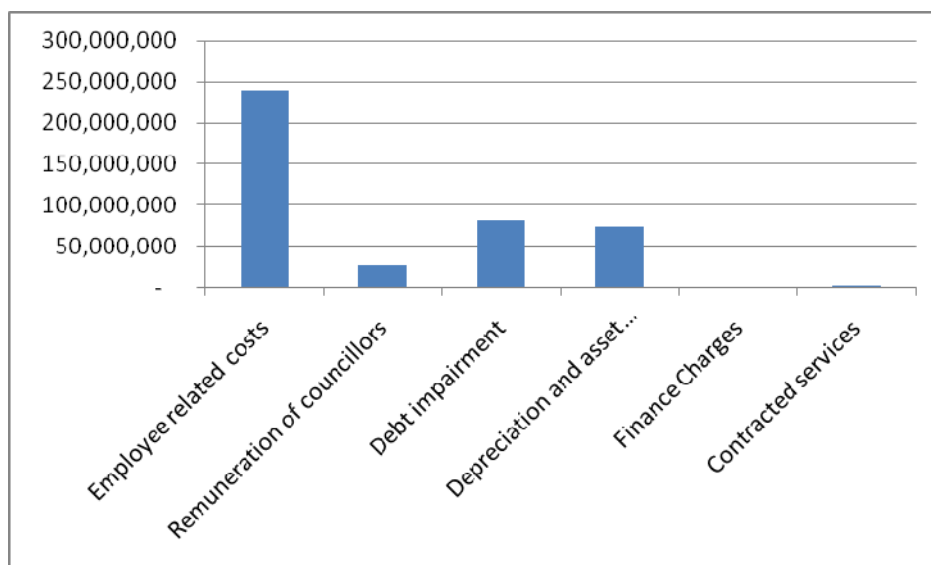
1. Revenue to be generated from property rates is R54 million in the 2016/2017 financial year and increases to R144 million by 2017/2018 which represents an increase of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality and additional billing from Former Mutale Municipality. The municipality is anticipating collecting 40 % of all billed services.
2. Other revenue e.g Selling of site, Tender document, building plans, clearance certificates, Hawkers licence, etc. constitutes the biggest component of the

revenue basket of the municipality totalling R170 million for the 2016/2017 financial year and decreased to R120 million by 2017/2018 and it also includes R2.2 million for selling of sites.

3. For the 2017/2018 financial year the municipality budget will depend mainly on grants.
4. We do not budget for unspent conditional grant assuming that we will spent all amount of grant( 100%).
5. Rental of facilities increase from R 900 000 to R1 million which is 17% increase from 2016/17 to 2017/18 financial year due to additional property from portion of Former Mutale Municipality.
6. Transfers recognized – operating includes the local government equitable share and other operating grants from national Government. The grants receipts from national government are growing rapidly over the budget year, however in 2017/2018 there has been a decrease in operational grant due to new demarcation arrangements. Operational grant alone has increased from R401 Million in 2016/2017 to R408 in 2017/2018 financial year. There is a increase of R7 in operational grant from DORA and calculation based on Circular 79.
7. Interest earned –external investment have no change for the 2016/2017 to 2017/2018 period escalating from R38 million to R38 Million. The calculation of interest earned is also based on all interest received from call accounts which are not reflected on the SA16 as is not really an investment account but is a call account.
8. The fines reflected in Table A4 are for all fines e.g traffic fines and illegal use of land fines.
9. The provision for the MSCOA implementation has budgeted under professional fee as council resolved to implement MSCOA from the 1st of July 2016 and we are currently on mscoa live.

Total operational expenditure has increased from R618 Million in 2016/2017 to R631 Million in 2017/2018 financial year.

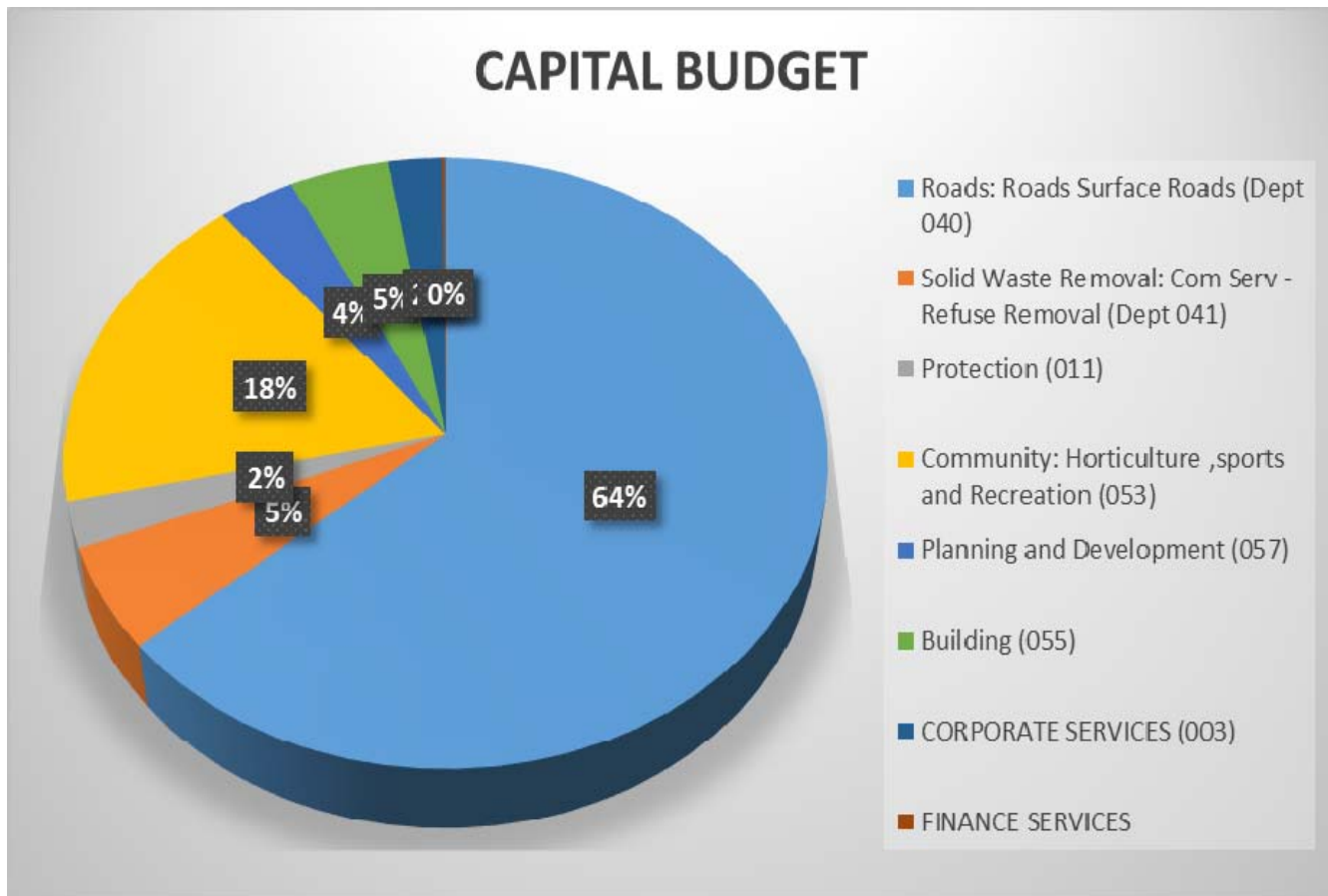




1. Employee related costs and other expenditure are the main cost drivers within the municipality operational budget. The salaries and wages for 2016/2017 financial year was R249 million and it has increased to R 266 million for 2017/2018 financial year .Overall Salaries budget for 2017/2018 financial year has increased by 7% as per Circular No 86, except for overtime ,casual labour Long services which contributed for it to be increased salary budget by 10%
2. The budget for Repairs and Maintance is representing only 2% of the operating expenditure and is 2% of the carrying amount of PPE, which is below the required rate as per MFMA circular 86 of 8%. The reason is that currently we have rehabilitated our infrastructure which is roads storm water and our mechanical staff has also been trained to attend the major repairs in-house.

**Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The Draft budget provides that a municipality may approve multi-year or single year capital budget appropriations. In relation to multi-year appropriations, for 2017/2018 R252 million has been allocated for capital expenditure which increased by 34% when compared to 2016/2017 financial year.



3. The above Graph clearly indicate that Roads are given high priority seating at 64% followed by Community services at 18% of total capital budget for 2017/2018 financial year.
4. The capital programme is funded from Municipal Infrastructure Grant (R101 Million) and internally generated funds (R143 Million).
5. The overall capital budget increase due to both allocation of MIG and Equitable share increases. The expected collection estimated at only 40% of the billed Revenue.

### **Table A6 – Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position.
2. This format of presenting the statement of financial position is aligned to GRAP, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
  - (a) Call investments deposits
  - (b) Consumer debtors;
  - (c) Property, plant and equipment;
  - (d) Trade and other payables;
  - (e) Provisions noncurrent;
  - (f) Changes in net assets; and
  - (g) Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

### **Table A7 Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The Budgeted cash flow show a favorable closing balance which clearly indicate that the municipality will be able to finance the budget over the medium-term.

#### **Table A8 Cash Backed Reserves/Accumulated Surplus**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.
4. Non-compliance with section 18 of the MFMA is assumed that a shortfall would indirectly indicate that the budget is not appropriately funded.
5. From the table it can be seen that for the period 2012/2013 up to date, the cash backed reserved shows a positive movement, which proves that the municipality will be able to pay their expenses without borrowings. Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

#### **Table A9 – Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate to repairs and maintenance at least 8 per cent of carrying amount of PPE. The repairs and maintenance are mainly done In house. Repairs and maintenance is below 8% and the municipality will be able to deal with all items that needs to be repaired or maintained in 2017/2018 financial year. . The municipality has also budgeted for master plan electricity and master plan housing of R1,5 Million and R1 Million respectively. This will also assist the municipality in reaching the 8% norm on budgeting repairs and maintenance of carrying amount of PPE. And most of the new asset and renewal was done last three financial year.

#### **Table A10 Basic Service Delivery Measurement**

This table proves an overview of service delivery levels for each main Service.

The municipality has cost of free basic service from R28 million in 2016/2017 to R13 Million in 2017/2018 for indigents. The indigent budget include free basic electricity for all indigents who use grids and non grids electricity

Water and sanitation within Thulamela Municipality are provided for by Vhembe District Municipality.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 Overview of the Annual Budget Process**

#### **Budget Process 2017/2018**

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2016 as required.

The draft budget was tabled in Council on 30 March 2017. A period of consultation then followed as per Sections 22 and 23 of the MFMA.

The IDP/Budget Public Participation was conducted in April 2017 month.

At the culmination of the process the Mayor has considered representations when finalising the budget. The Municipality's budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Operating expenditure in 2016//2017 is budgeted at R618 million, the Projected budget for 2017/2018 has increased to R631 Million. The municipality sets out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in the form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor within 28 days of approval of the final budget and forms the basis for the Municipality's in year monitoring.

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget.

In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Heads of departments of the municipality meeting under the chairpersonship of the Councillor responsible for Finance matters Cllr Maholwane.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

## **2.2 Overview of alignment of annual budget with IDP**

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the Budget. The IDP and the budget are interrelated documents. The IDP is the budget in words, just as the budget is the IDP in figures. The Draft budget has been aligned with IDP. The budget has been aligned to the IDP as detailed on table SA4 to SA6

### **Public Participation**

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process.

Public participation meetings are held in terms of Municipal Systems Act, Act 32 of 2000 section 16 and Municipal Finance Management Act, Act 56 of 2003 sections 22 and 23.

Both the draft IDP and budget were made public and also presented to IDP Representative Forum as scheduled.

Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality.

## **2.3 Measurable performance objectives and indicators**

The key financial indicators and ratios are disclosed in Supporting Table SA8: Performance indicators and benchmarks. Thulamela municipality is anticipating a 40% collection rate in 2017/2018 financial year.

## **2.4 Overview of the budget-related policies**

The following are the budget related policy detailed in Annexure C

- 2.4.1 Property Rates policy
- 2.4.2 Budget policy
- 2.4.3 Virement policy
- 2.4.4 Tariff policy
- 2.4.5 Indigent policy
- 2.4.6 Credit control and debt collection policy
- 2.4.7 Baking and investment policy
- 2.4.8 Fixed assets policy
- 2.4.9 Inventory policy
- 2.4.10 Supply chain management Policy
- 2.4.11 Cost containment strategy
- 2.4.12 Expenditure procedure Manual
- 2.4.13 Revenue enhancement strategy

## **2.5 Overview of budget Assumptions**

- The budget for 2017/2018 was done in terms of MFMA and municipal budget reporting regulation.
- Budget was prepared in an environment of uncertainty and assumptions that to be made about internal and external factors that could impact on the budget during the course of the financial year.
- We have also look at the following factors
  - (a) Economic climate
  - (b) Poverty levels
  - (c) Inflation
  - (d) Service delivery cost increases
  - (e) Increase of staff costs and demands

The inflation rate forecasts as per MFMA circular no.86 issued by National Treasury has been used on the MTERF. The maximum of 6 growth rate was used on the tariffs and 7% on salaries. However some tariffs are based on cost recovery. The method used on Capital Budget is zero based budgeting.

## Revenue

- The municipality is anticipating collecting 50 % of on all billed Revenue. This means the 50% has been budgeted as provision for bad debts.
- The 2016/2017 Property rate and service charges are also subjected to a 6,1% Tariff increase rate.
- All grants has been provided for according to the Division of Revenue Bill for 2017 except for equitable share and MIG which the amount has been increased by the proportionate share of the different between 95%of MIG and Equitable for 2017/2018 per 2016 DORA and the MIG and Equitable share per 2017 DORA. The Proportionate share is for the period 01 July to August 2017 (34 days ) over 365 days.
- The 2017/2018 financial year we will start to bill Thavhani and Tahilamba malls will make the assessment rates to be increased.
- This was to accommodate budget for the part of Thulamela which will form part of the new Municipality for the first 34 days of the financial year and this assumption has increased equitable share by R25 million from R 337 million to R 361 million and MIG by R 6 million from R94,7 million to R101 million.
- Interest earned –external investment have still the same for the 2016/2017 to 2017/2018 period escalating from R38 million to R38 Million. Increase in due cash balance which will be invested and more interest
- Interest earned has increase in line with the increase in consumer debtors refer to schedule SA3

## Expenditure

- Annual increase of 7% has been used in line with Circular 86. The overall salary expenses has increased by 10% due to the Overtime, Casual labour and Long services
- Contracted services have decreased since the municipality is committed in reducing outsourced services. In 2017/2018 contracted service dropped by 25%. Which includes the professional fees amounting R 10 million which financed like financial system, mscoa support?

The above are the list of contracted services

**2016/17   2017/18   2018/19   2019/20**

<i>Security Services</i>			R2,300 000	R3,000 000	R3,177 000	R3,361 000
<i>Valuation Cost</i>			R500 000	R15,000 000	R2,000 000	R2,116 000



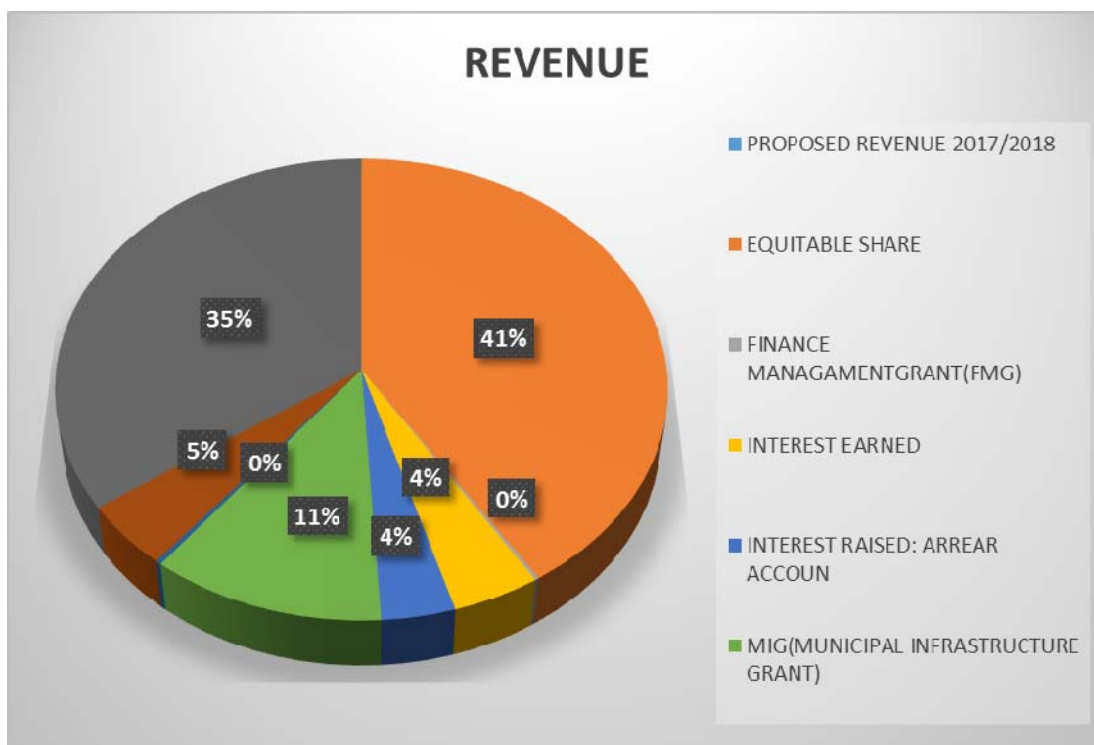
- An amount R 82 million will be provided as doubtful debts due to non-payment of our debtors on the billed services. The expected collection rate for 2017/2018 financial year is 50% and 50% of billed revenue will be provided for as bad debts.
- Depreciation has been provided based on the 2015/2016 asset register and also in line with GRAP
- Depreciation for 2017/2018 budgeted based on the actual Audited depreciation 2015/2016 Financial year, we were over budgeted our depreciation that is the major reason depreciation decreased to 25% to be realistic.
- The amount also includes an estimated amount of Impairment loss of which has been based on the prior year's trend.

## 2.6 Overview of budget funding

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer Table A8: Cash backed reserves/accumulated surplus reconciliation' and Supporting Table SA10: Funding measurement.



## **2.7 Expenditure on allocations and grant programmes**

Expenditure for each grant for the MTREF period is in Table SA18, Table SA19 and Table SA20

## **2.8 Allocation and grants made by municipality**

- The budget allocated R13 million for free basic services for an indigent subsidy.

## **2.9 Councilor allowances and employees benefits**

- The councilor allowances have been prepared in line with SALGA Gazette, while the employee's benefits were done considering 7% salary increase as per Circular No 86 as already detailed in the executive summary.

## **2.10 Monthly targets for revenue, expenditure and cash flows**

Disclosure on monthly targets for revenue, expenditure and cash flow is made in the following MTREF tables:

- (A) TABLE SA25 - Budgeted monthly revenue and expenditure
- (B) TABLE SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- (C) TABLE SA27 - Budgeted monthly revenue and expenditure (standard classification)
- (D) TABLE SA28 - Budgeted monthly capital expenditure (municipal vote)
- (E) TABLE SA29 - Budgeted monthly capital expenditure (standard classification)
- (F) TABLE SA30 - Budgeted monthly cash flow

## **2.11 Annual budgets and services delivery and budget implementation plans – internal departments**

- In terms of section 53(1)(c)(ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the 2017/2018 budget. The draft SDBIP is attached as an Annexure to the budget.

### **2.12 Annual budget and Service Delivery Agreements-Municipal entities and other external mechanisms**

- The list of external mechanism are detailed on Supporting MTREF Table SA32

### **2.13 Contracts having future budgetary implications**

- In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.
- The list contracts having future budgetary implications are detailed on Supporting MTREF Table SA32

### **2.14 Capital Expenditure Details**

Capital Details are shown in the following MTREF Tables:

- TABLE SA 34a – Capital expenditure on new assets by assets class
- TABLE SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE SA 34c – Repairs and maintenance expenditure by assets class
- TABLE SA 34d - Depreciation by assets classification
- TABLE SA 35 – Future financial implications of the capital budget
- TABLE SA 36 – Detailed capital budget per municipal vote
- TABLE SA 37– Projects delayed from previous financial year

### **2.15 Legislation Compliance Status**

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA. The budget has been done in compliance with the process detailed below

The budget preparation process

- The Mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months prior to the start of each financial year.

## Overview

- The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).
- These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.
- The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

## Budget preparation timetable

- A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2016 as required.

## Budget preparation and review of IDP and policy

- The Mayor has co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.
- The Mayor has also ensured that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management has taken into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament.

## Tabling of the Annual budget

- The initial Annual budget was tabled by the Mayor before Council on the 31 March 2017.

## Publication of the Annual budget

- Once Annual budget was tabled the municipality sent both hardcopy and electronic copy of budget document and submit it to National and provincial treasury. Community was invited to submit representations on what is contained in the budget.

## Opportunity to comment on Annual budget

- Thulamela Municipality Council will consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments during the month of April 2016.

#### Opportunity for revisions to Annual budget

- After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.
- Audit Committee has reviewed the budget document before council approved.
- Following the tabling of the Annual budget at the end of March, the months of April should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury through draft budget assessment benchmark exercise COGTHA and office of the Premier consultative forums designed to address stakeholder priorities.

#### Adoption of the annual budget

- The Council must consider the approval of the budget by 30 May and must formally adopt the budget by 30 June. This provides a 30-day window for council to revise the budget several times before its final approval.
- If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended Annual, again within seven days and it must continue to do so until it is finally approved – before 1 July.
- Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

#### **The below process will be adhered to once budget has been approved**

##### Budget Implementation

- Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)
- The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval an Annual SDBIP and Annual performance agreements for all pertinent senior staff.
- An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.
- The Mayor must approve the Annual SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).
- This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

#### Managing the implementation process

- The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitor.

#### Variation from budget estimates

- Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if Council has approved the project.
- Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful.

#### Revision of budget estimates – the adjustments budget

- It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.
- In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.
- The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

#### Requirements of the MFMA relating to the contents of annual budgets and supporting documentation

- Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the disclosure requirements.

#### Other Legislation

- In addition to the MFMA, the following legislation also influences Municipality budgeting;

(A) The Division of Revenue Act 2016 and Provincial Budget

Announcements Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

(B) The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities.

The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy.
- Section 20 – Other supporting documents

Thulamela Municipality Budget has been prepared in line with the applicable legislation that is MFMA, DORA, Treasury Regulation and circulars issued by National Treasury.

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **1. in year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis on the 2016/17 financial year Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website. The Municipality will continue to comply with the requirements of sec 71 of the MFMA

#### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 2 interns undergoing training in various divisions of the Financial Services Department. We are in the process to appoint 10 interns which we will be started to work on 01 June 2017

#### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

#### **4. Audit Committee**

Thulamela Municipality Audit Committee has been established and is fully functional.

#### **5. Service Delivery and Implementation Plan**

The detail SDBIP of the municipality will be reviewed as part of this year's planning and budget process.

#### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

#### **7. MFMA Training**

The MFMA training modules are currently being conducted in the municipality.

#### **8. Policies**

Budget related policies are attached in *annexure C*

### **1.1.6. Other Supporting Documents**

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. They consist of the following

- (A) ANNEXURE A – MTREF TABLE A1-A10
- (B) ANNEXURE A – MTREF TABLE SA1-SA38
- (C) ANNEXURE B – MUNICIPAL TARIFFS 2017/2018 FINANCIAL YEAR
- (D) ANNEXURE C – MUNICIPAL BUDGET RELATED POLICIES
- (E) ANNEXURE D – INTEGRATED DEVELOPMENTAL PLAN (IDP)
- (F) ANNEXURE E - STRATEGIC RISK REGISTER
- (G) ANNEXURE F- PROCUREMENT PLAN

### **1.1.7. Annual budgets of municipal entities attached to the municipal annual budget**

Thulamela Municipality has no Municipal entities





# THULAMELA MUNICIPALITY

## QUALITY CERTIFICATE

I, **MALULEKE H.E.**, the Municipal Manager of Thulamela Municipality, hereby certify that the Annual budget and supporting documentation for 2017/2018 have been prepared in accordance with Municipal Finance Management Act and Regulations made under the Act, and that the Annual budget and supporting documents are consistent with the integrated plan of the Municipality.

**Print Name: MALULEKE H.E**

**Municipal Manager of: Thulamela Municipality**

**Signature** : -----

**Date** : -----